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# 2000 Annual Program Performance Report

## RURAL DEVELOPMENT



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## RURAL DEVELOPMENT

## FY 2000 ANNUAL PROGRAM PERFORMANCE REPORT

The Rural Development mission area was established on October 13, 1994, by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act. The mission area consists of three Agencies, the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS). These agencies are responsible for delivering programs authorized by the Consolidated Farm and Rural Development Act; the Food Security Act of 1985; the Rural Electrification Administration Act of 1936 as amended; the Cooperative Marketing Act of 1926; the Agricultural Marketing Act of 1946; the Housing Act of 1949; and the Rural Economic Development Act of 1990, as amended.

**The mission of Rural Development is to:** "Enhance the ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential."

This report addresses the performance goals included in the Rural Development FY 2000 and FY 2001 Annual Performance Plan, published March 29, 2000. The structure of this report varies slightly from the plan as the mission area's strategic plan, on which both documents are based, was revised in September, 2000. Primary revisions are changing Management Initiatives 1-3 have been changed to goals and Management Initiative 4 has been deleted.

The following chart identifies the 5 goals of the mission area strategic plan and the page number of this report where each goal is addressed in this report:

GOALS	PAGE *
<b>1: Good Jobs and Diverse Markets.</b> Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.	2
<b>2: Quality Housing and Modern Community Facilities.</b> Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital, and credit for quality housing, and modern, essential community facilities.	7
<b>3: Modern Affordable Utilities.</b> Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern affordable utility services.	13
<b>4: Community Capacity Building.</b> Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.	19
<b>5. Effective, Efficient Service to the Public.</b> Rural Development will develop the staff, systems, and infrastructure needed to ensure high quality delivery of its programs to all rural residents.	20

\* Page numbers may vary slightly depending upon the printer being used.

Additional information on Rural Development and its programs can be found on the internet at the mission area's home page, <http://www.rurdev.usda.gov>. The mission area's long-range strategic plan

and its Annual Performance Plan can also be found on the internet. From the home page, click on About Us and then click on Strategic Plans.

Only Federal employees were involved in the development of this report.

**Goal 1: Good Jobs and Diverse Markets.** A Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.®

<b>MAJOR PROGRAM FUNDING: Rural Business-Cooperative Service</b>	<b>FY 1999 ACTUAL</b>	<b>FY 2000 * PROJECTED</b>	<b>FY 2000 ACTUAL</b>
Business Programs	\$1.365b	\$1.022b	\$1.139b
Cooperative Development Programs	\$3m	\$16m	\$16m

\* Amount of funding on which the targets were established. May not include all supplementals or recissions which occurred during the fiscal year.

**Objective 1.1:** Increase the availability and quality of jobs in rural areas.

<b>Key Performance Goal and Indicators</b>	<b>FY 1999 ACTUAL</b>	<b>FY 2000 TARGET</b>	<b>FY 2000 ACTUAL</b>
Create or save jobs in rural areas.			
Number of jobs created or saved:			
B&I Guaranteed Loans	36,507	25,800	29,118
B&I Direct Loans	1,163	2,200	1,080
IRP Loans	25,245	29,300	29,266
Rural Business Enterprise Grants	11,464	10,800	9,550
Rural Economic Development Loans	3,783	3,700	2,967
Rural Economic Development Grants	1,677	600	1,521
Community economic benefits (millions)			
B&I Guaranteed Loans	\$3,109.2	\$2,125	\$2,568
B&I Direct Loans	\$65.3	\$125	\$75.5
IRP Loans	\$82.5	\$95.6	\$95.6
Rural Business Enterprise Grants	\$91.0	\$86.5	\$86.0
IRP dollars lent by intermediaries/IRP dollars obligated to intermediaries (cumulative since Program inception).	89.41%	75.0%	78.5%
Non-IRP funds leveraged for each dollar of IRP funds.	\$3.76	\$3.76	\$3.12
Number of businesses benefitting from RBEG program.	2,331	2,219	1,483
Non-RBEG funds leveraged for each dollar of RBEG.	\$2.40	\$2.40	\$1.12
Non-REDLG funds leveraged per dollar of program funds:			
Loans	\$3.00	\$3.00	\$4.56
Grants	\$3.00	\$3.00	\$7.16

**2000 Data:** Data comes from a variety of sources including: an internal management system, the Rural Community Facilities Tracking System (RCFTS); two internal accounting systems; the Program Loan Accounting System (PLAS) and the Guaranteed Loan System (GLS); Department of Labor employment estimates; and an external report, Revolving Loans for Rural America, by Robert Rapoza (the Rapoza report). Data is final and, unless otherwise noted here, considered sufficiently accurate to be used for management decisions. Reports from PLAS and GLS are used by the OIG in the development of the mission area's audited financial statement.

The number of jobs created or saved for the B&I guaranteed and direct programs, plus the RBEG program, is reported by the applicant/borrower and input into the RCFTS automated system by the field staff. The number of jobs created for REDLG is reported by the applicant/borrower and summarized by the National Office staff in the process of reviewing the loan or grant requests.

Determining the number of jobs saved and created for the IRP is much more difficult. These are loans made to an intermediary lender who then uses the funds to make loans to entrepreneurs. As the loan is repaid to the intermediary, the funds are used to make new loans to other entrepreneurs. In order to recognize the impact of the relending of funds for this program on jobs, the findings of the Rapoza report have been used. This report indicates on page 70, Table 17, that the average cost per job, or amount of IRP loan per job, \$4,278. This translates into 23,375 jobs per \$100,000 in loan funds invested in an intermediary lender. To maintain a conservative estimate of the number of jobs created or saved, we have used 22.5 jobs per \$100,000 invested. Table 13, page 68, of the Rapoza report indicates that the average term of an IRP loan to the ultimate recipient is 8.8 years. Since virtually all IRP loans to the intermediaries have a loan term of 30 years, the funds revolve 3.4 times during the term of the loan.

The community economic benefits are calculated by multiplying the program level by 2.5. This multiplier is based upon a study done for the Department of Labor by the Department of Commerce.

**Analysis of Results:** This goal was met. The FY 2000 target was exceeded by 975 jobs, or 1.3 percent. However, while the total number of jobs to be saved or created was achieved in totality, success in meeting the Agency's targets for the individual business programs varied.

The B&I Guaranteed Loan program and the RBEG program both surpassed their targets by nearly 13 percent. The B&I Direct Loan program achieved less than half of its goal as it utilized only \$30 million of the \$50 million available in FY 2000. Information on the achievement of the targets for these three programs is drawn from the RCFTS, which continues to have significant problems. Data is placed in RCFTS by the field staff as a part of their loan making and servicing efforts. The system lacks the edits needed to ensure all data fields are completed for each project and that the data placed in the system is reasonably accurate. During FY 2000, a concerted effort was made to increase the reliability of information in RCFTS. An unnumbered letter was issued to all field offices on April 25, 2000, defining the critical fields related to annual performance goals and discussing the importance of keeping RCFTS fully populated with current information. RCFTS was also discussed with the state office staff during monthly teleconferences. In addition, data from the Program Loan Accounting System (PLAS) was compared with data in RCFTS in an effort to reconcile loan obligations for this fiscal year between the two systems. This entailed reviewing borrower records in RCFTS and determining why the records were not being pulled in the report query. Field offices were called individually to discuss the problems found and the field staff asked to update the records. In spite of the diligent efforts to clean up the records in RCFTS, and even though RCFTS matches PLAS for obligation records, there are still a number of records without populated fields.

The target established for the IRP was essentially achieved. The target was 29,300 jobs and the achievement was 29,266 jobs, a shortfall of .1percent. The target for REDLG was exceeded by 4.4 percent.

**Description of Actions and Schedules:** The performance goal will be retained for FY 2001. Work is underway to replace the RCFTS with a new automated management system which will expand our ability to track the activity of third-party recipients which will be helpful in documenting program performance. The implementation date for establishing the new system is unknown. In the meantime, we will continue to monitor RCFTS and work with field offices individually, if necessary, to ensure there is a clear understanding on the importance of maintaining RCFTS. The unnumbered letter regarding updating critical fields for performance measures will be reissued. In addition, we will develop instructions to the field offices on updating fields in RCFTS. For example, field staff needs to know that when a grant is obligated, the number of jobs created or saved field should be completed. After the project is completed and a site visit is made, the number of jobs should be verified and updated in RCFTS.

**Current Fiscal Year Performance:** The demand for RBS programs increases from year to year. The agency will continue to promote the use of the B&I Direct Loan program in order to utilize all available funds. It is anticipated that all funds appropriated for business programs will be used in FY 2001.

**Program Evaluations:** GAO Report NSIAD-00-229, Trade Adjustment Assistance: Opportunities to Improve the Community Adjustment and Investment Program, dated August 29, 2000.

**Objective 1.2:** Encourage and promote the use of marketing networks and cooperative partnerships to increase and expand business outlets.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.			
Number of Technical assistance and educational services provided.	215	200	205
Customer rated quality of technical assistance (0-5 rating scale).	3.0	3.0	3.5
Leverage of research expenditure (dollar value of RBS sponsored research per dollar of RBS research expenditures).	\$1.25	\$1.2	\$1.25
Research and educational materials provided to customers.	99,600	100,000	51,137
Number of responses to inquiries for information.	16,500	15,000	16,000
Percentage of B&I Guaranteed funds obligated to cooperatives.	4.4%	20%	11%

**2000 Data:** Data is compiled from State reports, surveys, contracts let, shipment logs and customer service logs. The data is final. This information, while not audited, is considered sufficiently accurate to be used for management decisions.

**Analysis of Results:** This goal was met. All targets were met except materials provided. This was due to the cessation of printing of Cooperative materials due to limited administrative budgets and the intent to provide documents to the public electronically.

**Description of Actions and Schedules:** Efforts are being made to establish a set publication budget to support the printing of sufficient materials needed for those that cannot access them electronically.

**Current Fiscal Year Performance:** Goals for 2001 are unchanged from 2000.

**Program Evaluations:** No GAO, OIG, or other formal program evaluations were conducted in FY 2000.

**Objective 1.3:** Direct Rural Development program resources to those rural communities and customers with the greatest need.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Direct Rural Development program resources to those rural communities and customers with the greatest need.			
Percentage of funds obligated in Empowerment Zones/Enterprise Communities and REAPs.			
B&I Guaranteed	1.3%	1.7%	2.0%
IRP	12.1%	19.0%	4.7%
RBEG	21.5%	20.0%	20.3%
Percentage of funds obligated for other Presidential or Departmental Initiatives.			
B&I Guaranteed	37.6%	10%	10.0%
IRP	48.0%	20%	75.9%
RBEG	48.8%	20%	71.2%
REDLG	47.3%	2%	70.9%
Cooperative service provided to poverty areas (number of impoverished or economically depressed counties in which service was provided).	N/A	75	N/A

**2000 Data:** Data is compiled from RCFTS, the Program Loan Accounting System (PLAS), and state surveys. PLAS, while not audited by OIG, provides reports used by OIG in their audit of the mission area's financial statement and information in PLAS is generally considered reliable. While data from RCFTS and state surveys is considered soft, it is considered sufficiently accurate to be used for management decisions. Information regarding the Rural Economic Area Partnership (REAP) zones was added to this statement because REAP zones were combined with Empowerment Zones and Enterprise Communities (EZ/EC) for FY 2000. (1999 actual data shown is for assistance to EZ/ECs only.) Data is not available on the number of cooperative services provided in poverty areas. It has been determined that meaningful and reliable data is not available for this goal and the goal will be dropped in future performance plans.

**Analysis of Results:** This goal was met. All targets were met except for the indicator related to usage of IRP funds in EZ/EC/REAP communities. The estimate (19%) was based on the percentage of the IRP appropriation earmarked for these targeted communities. All applications that were received before the June 30 deadline, and were eligible for the earmarked funds, were funded. However, in spite of Agency outreach efforts, the applications received were only enough to use 4.7 percent of the total funds available for the program.

The B&I Guaranteed Loan program met its goal for program delivery to EZ/EC=s. The B&I Guaranteed Loan program also met its goal for spending on other Presidential and Departmental initiatives.

**Description of Actions and Schedules:** We will continue to stress the importance of IRP outreach to communities of greatest need to our State Offices through teleconferences, memorandums, training meetings, and other methods. The EZ/EC and other initiatives are included as part of the Administrator's goals. Round 2 of EZ/ECs were eligible for earmarked funds for the first time in FY 2000 and we expect more of them to request assistance in FY 2001.

**Current Fiscal Year Performance:** Several EZ/EC IRP applications have been received to date for FY 2001. All performance indicators, except the one mentioned above that is being dropped, will be used in the FY 2001 and 2002 plans.

**Program Evaluations:** None.

**Objective1.4:** Manage the loan portfolio in a manner that is efficient and effective.

Key Performance Goal and Indicator	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Manage the B&I portfolio effectively to minimize the delinquency rate.			
Delinquency rate (excluding bankruptcy cases)	4.8%	3.0%	4.2%

**2000 Data:** Data is reliable and final. RCFTS is a non-accounting management system which contains a variety of data related to Business Programs, such as the number of jobs created or saved. Data in RCFTS is input by the field staff and does not contain edits to verify the accuracy of the data. Manual reports from State directors will be used to obtain data regarding several of the performance measures. This information will be less reliable because it is obtained manually and its accuracy cannot be verified. However, confidence in this data is high enough to be acceptable for the purposes for which it is used. Therefore, the information is considered sufficiently accurate to be used for management decisions.

**Analysis of Results:** The Administrator's Priority FY 2000 Delinquency Goal was established at 3 percent for FY 2000. The delinquency achievement for this period was 4.2 percent (excluding loans in bankruptcy). While the goal was not met, there was a reduction from the FY 1999 delinquency level which was 4.8 percent (excluding loans in bankruptcy).

We were able to lower the delinquency percentage by adding an additional 270 guaranteed loans and by carefully monitoring the lending and servicing activities of the State offices. We are concerned with the potential rise in delinquencies for fiscal year 2001 and are presently employing various strategies to mitigate, to the extent possible, the delinquencies in both the guaranteed and direct programs.

**Description of Actions and Schedules:** The National Office is establishing individual delinquency goals based on the State=s present achievement. In addition, a Review Team, comprised of experienced loan officers was established to review all loans where losses were paid or repurchases of loans were made in FY 2000. This review revealed a number of areas that require strengthening either through amendments to the current regulations or through in-depth training. Plans are presently underway to meet these needs.

**Current Fiscal Year Performance:** The National Office will monitor at least quarterly for achievement levels.

**Program Evaluations:** The National Office conducts a ABusiness Programs Assessment Review@ of 10 states per year, to determine if the program intent is being properly met by interviewing both lenders and borrowers and by reviewing the State=s loan processing and servicing activities. Areas found to be deficient are documented, recommendations for corrections are made and monitoring to ensure conformance is performed by National Office staff.

The Office of the Inspector General initiated a preliminary audit of the servicing activities in a cross section of states to determine the need for a complete audit. The information obtained from the States involved revealed the need for a full audit. This audit will be conducted during fiscal year 2001.

**Goal 2: Quality Housing and Modern Community Facilities.** Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital, and credit for quality housing and modern, essential community facilities.

<b>MAJOR PROGRAM FUNDING: Rural Housing Service</b>	<b>FY 1999 ACTUAL</b>	<b>FY 2000 * PROJECTED</b>	<b>FY 2000 ACTUAL</b>
Single Family Housing Programs	\$4.04b	\$4.50b	\$3.357b
Rural Rental Housing Programs	\$810m	\$902m	\$941m
Community Facilities Programs	\$278m	\$409m	\$302m

\* Amount of funding on which the targets were established. May not include all supplementals or recissions which occurred during the fiscal year.

**Objective 2.1:** Improve the quality of life for the residents of rural communities by providing access to decent, safe, sanitary and affordable housing.

<b>Key Performance Goal and Indicators</b>	<b>FY 1999 ACTUAL</b>	<b>FY 2000 TARGET</b>	<b>FY 2000 ACTUAL</b>
Provide access to credit for decent, safe, and sanitary housing.			
Total Units Sec. 502 Direct and Guaranteed 502 and Sec. 504 Loan and Grant	65,721 *	77,653	58,018
Number of houses financed through the Section 502 Direct Loan Program	16,145	17,782	17,026
Number of houses financed through the Section 502 Direct Loan (Natural Disaster) Program	44	1,117	519
Number of houses financed through the Section 502 Guaranteed Loan Program	39,752	41,859	29,123
Number of existing houses improved (Section 504 Loans and Grants)	9,075	11,405	10,360
Number of existing houses improved (Section 504 Loans and Grants Natural Disaster)	321	5,490	990
Number of jobs created (Direct 502)	14,257	15,900	17,520
Number of jobs created (Guaranteed 502)	21,409	22,500	14,323

\* Includes 384 Individual Water and Waste Disposal Grants



**2000 Data:** Data on the number of homes financed or improved came from Obligations Report 205 which is derived from Rural Development Finance Office obligation records, which are reliable and used by OIG in the development of the mission area's financial audit. The number of jobs created was based on a construction industry multiplier of 2,448 jobs per new home built. The multiplier, obtained from the National Association of Home Builders, is not subject to governmental audits. All data is final.

**Analysis of Results:** The goal and targets were not met for either the direct or guaranteed program. Target performance assumed full usage of the program funds which did not occur. The greatest shortfall occurred in the Section 502 Guaranteed Loan Program, which was 30% under the target for number of houses financed. This mirrors the general downturn of 27.7% in mortgage loan originations in the mortgage industry during 9 months in 2000, caused by higher interest rates (source: October 27, 2000, issue of *Inside Mortgage Finance*). Originations of Department of Veterans Affairs (VA) guaranteed loans fell by nearly 60% for FY 2000 vs. 1999, but after excluding refinancing activity, the purchase mortgages reflected a 28% drop which is more in line with the decline in the conventional market (source: October 23, 2000, issue of *National Mortgage News*). Originations for the Federal Housing Administration (FHA) also fell by 24% during the same time frame (source: October 28, 2000, issue of *National Mortgage News*). Because RD and VA have the same Loan To Value (LTV) ratios (100% LTV), the Agency believes the SFH Guaranteed Loan program is more similar to the VA product than FHA. The lack of an automated underwriting tool is another major reason that the SFH Guaranteed Loan program is falling behind in loan production and it has become a significant issue for the program.

The Section 502 Direct Loan Program, excluding natural disasters, was only 3.5% below target. The average cost of a house was higher than anticipated, resulting in fewer houses financed with available funds. The Section 504 Loan and Grant Program was below target because full usage of the funds did not occur. The target for the Section 502 and 504 Natural Disasters program was based on the funding level, whereas actual performance results from the unpredictable occurrence and impact of natural disasters. The unused funds in this program remain available for future years. The 36 percent shortfall in the number of jobs created by the Guaranteed 502 Program reflects the 30 percent decline in loan originations in this program, and a slight shift from new/build to existing home purchases.

**Descriptions of Actions and Schedules:** Efforts are underway to improve the acceptance of USDA guaranteed mortgages by the mortgage origination and investment industry by increasing their similarity to other governmental insured or guaranteed mortgages.

**Current Fiscal Year Performance:** All current performance indicators for this goal will continue for FY 2001. RHS will continue to monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

**Program Evaluations:** GAO Report RCED-00-24, Rural Housing: Options for Optimizing the Federal Role in Rural Housing Development, dated September 15, 2000. GAO Report AIMD-00-286R, Credit Reform: Improving Rural Development's Credit Program Cost Estimates, dated August 22, 2000.

A copy of these audits may be obtained by contacting USDA's OIG.

Key Performance Goals and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide access to decent, safe, sanitary and affordable rental housing.			
Total Number of new units built (FY)	5,351	5,668	5,357
Sec. 515	2,189	1,487	1,626
Sec. 514/516	622	719	680
Sec. 514/516 Natural Disaster	0	169	156
Sec. 538	2,540	3,293	2,895
Total Number of units rehabilitated (FY)	4,736	5,428	7,100
Sec. 515	2,340	3,694	4,990
Sec. 514/516	626	400	696
Sec. 533	1,770	1,334	1,414
Direct resources to those rural communities and customers with the greatest need.			
Average tenant income.	\$7,671	Not Estab- lished	\$7,775
Income of tenants who do not receive Rental Assistance.	Not yet available	Not yet available	Not yet available
Income of tenants who receive Rental Assistance.	Not yet available	Not yet available	Not yet available
Number of tenants who are rent overburdened.	Not yet available	Not yet available	Not yet available
Number of households not displaced by loss of rental assistance (number of renewals).	38,311	41,800	38,489
Percent of tenants not displaced by loss of rental assistance.	100%	100%	100%
Additional tenants living in affordable, decent, safe, and sanitary housing.	4,046	718	1,668
Percentage of projects that reflect racial/ethnic demographics of local area.	Not yet available	Not yet available	Not yet available

**2000 Data:** The number of new units built and the number of units rehabilitated were derived from Multi-Family Housing staff's internal records, which are not audited but are considered reliable for management purposes. The data on rental assistance was obtained from the 205 Obligations Report, which is subject to audit by OIG. System development needed to provide data for those indicators showing "Not Yet Available" was nearly completed at the end of FY 2000. Data for most of these indicators should be available in the next fiscal year. The final indicator related to projects reflecting racial/ethnic mix of the local area will be dropped in the future plans. It is unlikely data will be available for this indicator in the foreseeable future. The data is final.

**Analysis of Results:** Success in meeting the targets was mixed, however, overall the goal was met. Targets for the number of units rehabilitated were exceeded for the Section 515 Rural Rental Housing Loan Program and the Section 514/516 Farm Labor Housing Loan and Grant Program and the Section 533 Housing Preservation Grant Program. The number of new units built was below target for Section 515 and Section 514/516, reflecting a shift of funds to the much needed rehabilitation of existing units. The Section 514/516 Natural Disaster program was slightly under target because a small

amount of the funds was not obligated. The Section 538 Rural Rental Guaranteed Loan Program was below target because the average unit cost was higher than anticipated, resulting in fewer units financed with available funds. The number of households not displaced by loss of rental assistance (number of renewals) was slightly below target because the number of actual renewals was less than projected due to several factors: tenant income, vacancies, etc. No tenants were displaced by loss of rental assistance. The rental assistance (RA) not needed for renewals was used for additional RA units in existing and new MFH projects.

**Description of Actions and Schedules:** Target performance will be established for the various tenant income indicators when data becomes available from the new Multi-Family Tenant File System, currently scheduled to be completed by the end of 2001.

**Current Fiscal Year Performance:** RHS will monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

**Program Evaluations:** OIG Audit (04801-006-KC), Rural Rental Housing Program Insurance Expenses, dated November 5, 1999. GAO Audit (RCED-00-241), Rural Housing: Options for Optimizing the Federal Role in Rural Housing Development, dated September 15, 2000.

**Objective 2.2:** Improve the quality of life in rural America by providing essential community facilities.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide new or improved essential community facilities			
Number of rural residents with improved standards of living through new or improved essential community facilities (in millions).	8	11	8.1
Number of jobs created or retained.	9,600	13,500	4,493
<i>Community Health</i>			
Number of new or improved health care facilities.	123	173	116
Number of new or improved elder care facilities	42	59	32
Number of beds available at new or improved elder care facilities.	4,932	6,950	2,558
Number of new or improved health care facilities in medically underserved areas.	36	51	43
<i>Emergency Services</i>			
Number of new or improved fire and rescue facilities.	72	101	104
Number of new or improved fire and rescue vehicles.	140	195	128
<i>Education and Child Care</i>			
Number of new or improved child care centers.	69	97	55
Number of children served by new or improved child care centers.	5,628	7,900	4,049
Number of new or improved schools.	32	44	44

**2000 Data:** Community Facility Program data were derived from the Community Facility staff's internal tracking system in unison with the Rural Community Facilities Tracking System (RCFTS). The RHS field staff inputs the data into RCFTS and it does not contain edits nor is it audited or reports

from it used by the auditors. Although the agency considers this soft data, it is used in managing the program and is considered reliable for the purposes for which it is used. The data is final.

**Analysis of Results:** Target performance assumed full usage of the program funds, which did not occur. As a result, the targets were generally not achieved and the goal was not met. CF direct loans and CF grants were fully obligated, however, only 47 percent of guaranteed loans were utilized. Last year=s efforts to provide training and tools for field staff members to market CF guaranteed loans at the local level have proven successful. During the first four months of FY 2001, \$47.5 million in guaranteed loans were obligated as compared to \$6.8 million during the same period in FY 2000. States are actively conducting outreach meetings with local lenders to promote the program.

The performance indicators for the Community Facilities programs are difficult to predict because the outcomes depend on the mix of projects funded. Program funds have been used for more than 80 different purposes, including child care centers, assisted living facilities, hospitals, health clinics, fire stations, libraries, telecommunications, school facilities, community buildings, and industrial parks. The mix of projects funded depends on community needs across the country and the timing of loan and grant applications. The FY 2000 variance of actual performance compared with the targets reflects the unpredictability of the project mix and is no cause for alarm. A review of the previous two fiscal years activity shows that these indicators do not move in unison with the program levels.

In FY 2000, CF invested approximately \$296 million to help rural communities develop 717 essential community facilities for public use and \$6 million for the Rural Community Development Initiative (RCDI) grant program. Through leveraging with both public and private partners, program funds were stretched to address the needs of more rural communities. Community health care services, fire, rescue and public safety, and community support services continue to be a high priority for funding in addressing the needs of rural communities.

In FY2000, program emphasis was placed on promoting rural education. As a result, 57 projects were funded for schools and libraries amounting to almost \$30 million from combined CF programs. This included funding for libraries, schools for people with mental or physical disabilities, teacher housing, dormitories, school maintenance and equipment service centers, and all-purpose college campus buildings.

Program resources in FY 2000 continue to invest heavily in rural health care facilities as \$108 million in combined program resources were used to fund 116 new or improved health facilities, from which seniors and residents in medically under-served areas greatly benefit. Projects funded include nursing homes, boarding homes for elderly with ambulatory care, assisted living facilities, and adult day care centers. Program emphasis will continue to serve the ever-increasing rural elderly population.

Community Programs staff successfully implemented the Rural Community Development Initiative (RCDI) grant program. In its first year of funding, RCDI provided \$6 million in grants to 20 intermediaries located across the nation. Funds are used to develop the capacity and ability of nonprofit organizations and low-income rural communities to improve housing, community facilities, or community and economic development through a program of technical assistance.

Developing reliable performance data for the performance indicator ANumber of new or improved health care facilities in medically underserved areas@ has been especially difficult due to problems in identifying medically underserved counties. This performance indicator will not be included in future performance plans.

**Description of Actions and Schedules:** RHS will continue efforts to increase utilization of Community Facility Guaranteed Loan Program funds through extensive outreach to lenders. During FY 1999 and 2000 efforts were made which are starting to produce results. Outreach efforts have continued through meetings with local lenders, training States on conducting outreach meetings, and issuing CDs to States on the outreach efforts at the training meeting.

**Current Fiscal Year Performance:** RHS will monitor performance periodically, and take any corrective action needed. All performance indicators, except for the one mentioned above, will be included in the next performance plan.

**Program Evaluations:** GAO Audit HEWS-00-163, Charter School Facility Financing, dated September 12, 2000. GAO Audit RCED/GGD-00-220, Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities, dated August 8, 2000.

**Objective 2.3:** Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.			
Number of borrowers assisted through leveraging (Direct 502).	5,371	5,500	6,448
Number of Guaranteed lenders participating in low-income housing finance.	1,147	1,721	2,400
Number of Rural Home Loan Partnerships.	78	150	177
Number of CF funding partnerships.	565	796	866
Number of CF borrowers assisted through leveraging.	429	605	492

**2000 Data:** The actual performance data for the Direct Section 502 program comes from the Single Family Housing staff's internal tracking system, while data on Guaranteed Section 502 comes from a FOCUS ad hoc report. The Community Facility Program data were derived from the Rural Community Facility Tracking System (RCFTS). As indicated several times in this Report, RCFTS data is considered to be soft, but reliable. It is not audited nor are reports from RCFTS used by the auditors. The data is final.

**Analysis of Results:** The performance goal was met. All targets were exceeded, with one exception. Although the number of CF borrowers assisted through leveraging was below target, the actual FY 2000 performance exceeded FY 1999 performance by 15%. Even though the total number of lenders approved to participate in the SFH Guaranteed Loan program increased, the total number of loans originated nationwide decreased, which was a reflection of the mortgage business as a whole. The lack of an automated loan origination system is another reason that the SFH Guaranteed Loan program is falling behind in loan production and it has become a significant issue for the program.

**Description of Actions and Schedules:** No corrective action is necessary.

**Current Fiscal Year Performance:** RHS will monitor performance periodically. All performance indicators will be included in the next performance plan.

**Program Evaluations:** None conducted during FY 2000.

**Objective 2.4:** Manage the loan portfolio in a manner that is efficient and effective.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide effective supervision to minimize delinquencies and future loss.			
First-year delinquency rate (SFH Direct).	5.3%	4.8%	3.2%
Number of RRH projects with accounts more than 180 days past due.	164	130*	153**

\* Does not include properties in inventory.

\*\* Includes 18 properties in inventory.

**2000 Data:** Data were derived from Rural Development Finance Office loan servicing reports, which are reliable and used by OIG in their audits of the mission area. The SFH first-year delinquency rate, as of September 30, 2000, was obtained from a FOCUS ad hoc report. The RRH delinquency data come from a 616 report, and includes 18 properties in inventory. The data is final.

**Analysis of Results:** The performance goal was met. The target was exceeded for the first-year delinquency rate for Single Family Housing Direct loans. Substantial progress was also made in reducing the number of Rural Rental Housing projects with accounts more than 180 days past due. This number was reduced from 164 RRH projects in FY 1999 to 153 in FY2000. When the target was set, inventory properties were excluded. Program managers have determined this was inappropriate and included the number of inventory properties in the actual result. Inventory properties will be included in future targets. (Note: Rural Development's FY 2000 and FY 2001 Performance Plan erroneously stated the performance indicator for RRH as less than 180 days past due, rather than more than 180 days past due.)

**Description of Actions and Schedules:** No special corrective action is necessary.

**Current Fiscal Year Performance:** All current performance indicators for this goal will continue for FY 2001. RHS will continue to monitor performance progress at least quarterly and take necessary and appropriate actions in the event performance is less than expected.

**Program Evaluations:** None conducted in FY 2000.

**Goal 3: Modern Affordable Utilities.** ARural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern affordable utility services.@

MAJOR PROGRAM FUNDING: Rural Utilities Service	FY 1999 ACTUAL	FY 2000 * PROJECTED	FY 2000 ACTUAL
Water and Environmental Programs	\$1.301b	\$1.287b	\$1.318b
Telecommunications Programs	\$461m	\$670m	\$670m
Distance Learning and Telemedicine Programs	\$68m	\$220m	\$25m
Electric Programs	\$1.556b	\$2.115b	\$2.117b

\* Amount of funding on which the targets were established. May not include all supplementals or recissions which occurred during the fiscal year.

**Objective 3.1:** Provide financing for modern, affordable, water and waste disposal services in rural communities.

Key Performance Goal and indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide rural residents with modern, affordable water and waste services.			
Rural water systems developed or expanded which provide quality drinking water in compliance with the Safe Drinking Water Act.	579	590	590
Rural waste disposal systems developed or expanded which provide quality waste disposal service in compliance with State and Federal environmental standards.	328	334	325
Total jobs generated as a result of facilities constructed with W&W funds.	33,017	34,839	39,771
Rural people receiving safe, affordable drinking water from water systems financed by W&W loans and grants.	1,314,012	1,340,000	N/A
Rural people served who did not previously have public water service (includes Water 2000 projects).	748,776	763,000	N/A
Rural people receiving safe, affordable waste disposal service through waste disposal systems financed by W&W loans and grants.	583,559	595,000	N/A

**2000 Data:** This data is final and considered reliable. Information for the first two measures are taken from the Program Loan Accounting System (PLAS). Reports from this system are used by OIG in their audit of the mission area. The jobs generated data is determined using a methodology devised by the Bureau of Labor Statistics and the USDA Economic Research Service. The basic formula is 23 jobs per \$1 million of funds invested, including non-RUS funds invested through leveraging.

During FY 2000, OIG started an audit of Rural Development's annual performance report for FY 1999. They identified problems with the methodologies used to estimate the targets for the last three measures. Therefore, actual data for these indicators, based upon the methodologies used to estimate the target, is not available since they cannot be considered reliable. These measures will not be included in future performance plans unless new methodologies are established.

**Analysis of Results:** The performance goal was basically achieved as one indicator exceeded the target, one met, and one indicator was slightly under the target. Funds for this program can be used for various purposes related to the providing of water and waste disposal systems. There is a wide variation in the cost of the projects funded and RUS has limited control over the type and size of the projects to be funded in a given year.

**Current Fiscal Year Performance:** There is a significant backlog of applications waiting to be funded and therefore the targets for fiscal year 2001 are expected to be met. With the exceptions mentioned above, the remaining three indicators reported on in this Report will be included in RD's FY 2001 and 2002 Performance Plan.

**Program Evaluations:** None.

**Objective 3.2:** Provide financing for modern, affordable telecommunications, including Distance Learning/Telemedicine services, in rural communities.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide modern, affordable telecommunications services to rural communities.			
Number of new residents and businesses receiving service.	170,000	247,000	154,899
Jobs generated as a result of facilities constructed with Telecommunication funds.	10,603	15,400	15,410
Schools receiving transmission facilities for Distance Learning applications.	15	22	N/A

**2000 Data:** Data related to the number of new residents and businesses receiving service comes from project files on the loan applications received. While this data does not come from an automated system, it is centrally maintained and is considered reliable by management. The jobs generated data is determined using a methodology devised by the Economic Research Service. The basic formula is 23 jobs per \$1 million of funds invested.

During FY 2000, OIG started an audit of Rural Development's Annual Performance Report for FY 1999. They determined reliable data was not available for the last indicator, therefore, an actual number is not included since its reliability would be questionable. This indicator will not be included in future performance plans.

**Analysis of Results:** The performance goal overall was not met. The target for jobs generated was exceeded. The target for number of new residents and businesses receiving service was not met in part due to a downward adjustment in a multiplier used to measure the average number of persons per household.

**Description of Actions and Schedules:** RUS is taking actions to ensure that the total funds available for FY 2001 will be used and the targets will be met. These actions include enhanced outreach activities by RUS staff and Rural Development State Offices.

**Current Fiscal Year Performance:** The auditors reviewing Rural Development's FY 1999 Annual Performance Report stated that the indicator, "Number of new residents and businesses receiving service", was slightly misleading as written and questioned the methodology for determining the number of residents served. In the next Annual Performance Plan, this measure will read "Number of new subscribers served". A new performance indicator, Number of subscribers with new improved service, will be added. All targets for FY 2001 will be based on full utilization of funds and are expected to be met.



**Program Evaluations:** OIG Report Number 09016-001-TE, Telephone Loan Program Policies and Procedures, dated February 2, 2000.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide distance learning and telemedicine services, utilizing modern telecommunications technologies, to rural communities.			
Number of schools receiving distance learning facilities.	287	1,800	277
Number of health care providers receiving telemedicine facilities.	131	3,130	138
Number of rural residents and businesses receiving education or training over distance learning facilities (in millions).	0.2	2.8	N/A

**2000 Data:** This data is obtained from RUS program records of projects funded, applications received, and although not part of an automated system, is considered reliable for management purposes. This data is final.

During the audit of Rural Development's Annual Performance Report for FY 1999, started by OIG in FY 2000, OIG determined reliable data was not available for the third indicator, therefore, an actual number is not included since its reliability might be questionable. This indicator will not be included in future performance plans since reliable data is not readily available and cannot be obtained at a reasonable cost.

**Analysis of Results:** The Performance goal, as measured by the targets, was not met. Target performance assumed full usage of all funds available and this did not occur. While all grant funds were used, only \$6 million of the \$200 million of loan funds available were obligated. Revisions to this relatively new program, to increase the use of loan funds, were implemented in FY 2000 but not in time to allow the targets to be met.

**Description of Actions and Schedules:** Program revisions are now in place and are expected to have an impact in FY 2001 including purposes for which loan funds can be utilized and a new expedited application review process. In addition, expanded outreach activities by the National Office and Rural Development State Offices will be implemented.

**Current Fiscal Year Performance:** RUS= targets for FY 2001 are based on full utilization of funds and are expected to be met.

**Program Evaluations:** None.

**Objective 3.3:** Provide financing for modern, affordable electric service to rural communities.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Provide modern, affordable electric service to rural residents and communities.			
Number of rural electric systems upgraded.	179	200	137
Number of consumers benefitting from system			

improvements (millions).	2.8	3.1	2.3
Jobs created as a result of facilities constructed with Electric funds.	36,018	48,600	48,700

**2000 Data:** The data was obtained from RUS program records of projects funded and applications received and is considered reliable for management purposes. This data is final.

**Analysis of Results:** Although all program funds were obligated, the targets, except for the jobs created, were not met. Program funds are used for a variety of purposes related to providing electric service in rural communities. The size of loans varies substantially and RUS generally funds projects on a first-come, first-served basis. The anticipated average loan size is an important factor in setting the targets and in FY 2000 the average loan size was larger than anticipated. Since the full amount of funding available was obligated, larger loans resulted in fewer loans and therefore fewer systems and fewer consumers impacted. However, since all available funds were utilized, a fair assessment is that the performance goal was achieved even though the targets were not met.

**Description of Actions and Schedules:** No additional action is necessary to meet the FY 2001 target.

**Current Fiscal Year Performance:** Performance for FY 2001 is expected to be sufficient to meet targets. No change is planned in the performance indicators.

**Program Evaluations:** GAO Report AIMD-00-288, Impact of RUS Electric Loan Restructurings, dated September 2000. OIG Report 09601-1-Te, Electric Generation and Distribution Borrower Investments, dated March 13, 2000.

**Objective 3.4:** Direct Rural Development resources to those rural communities and customers with the greatest need.

Key Performance Goals and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Direct program resources to those rural communities with the greatest need.			
Number of water and waste assistance projects in the identified persistent poverty counties	247	252	219
Total W&W project cost	\$298m	\$315m	\$341m
RUS amount	\$257m	\$246m	\$249m
<i>Special initiative - number of projects and amount of W&amp;W funding (in millions)</i>			
EZ/EC	28 (\$21)	73(\$35)	33(\$46)
Colonias	38 (\$22)	38 (\$20)	36(\$19)
Pacific Northwest	34 (\$32)	0	0
Alaskan Villages	14 (\$29)	24 (\$20)	24(\$19.40)
Guaranteed Loans	7 (\$5.8)	49 (\$75)	9(\$11)
Electric loans (number and amount) to clients serving persistent poverty counties (dollars in millions).	72 \$538	84 \$889	72 \$615
Electric loans (number and amount) to clients serving persistent out-migration counties (dollars in millions)	83 \$379	84 \$889	73 \$321

**2000 Data:** This data is considered highly reliable and is final. The counties are identified by the Economic Research Service based on census and economic data and is updated periodically. For Electric programs, the data is based on information contained in the approved loan application regarding the service area for the system.

For Water and Waste, the data comes from the Program Loan Accounting System (PLAS), the Guaranteed Loan System (GLS) and the Rural Community Facilities Tracking System (RCFTS). Except for RCFTS, these systems are designed to manage the agency's portfolio of direct and guaranteed loans. They contain a variety of edits to minimize the risk of inaccurate data being placed in the systems. Reports generated by these systems are used by OIG as part of their development of an audited financial statement. RCFTS is a non-accounting system and does not contain the edits of the accounting system.

**Analysis of Results:** Overall the goal was met, although, success in meeting individual targets was mixed. Actual performance for Electric Loans was slightly under the target for FY 2000. This was a result of fewer loans being made for larger dollar amounts per loan. Since fewer loans were made, fewer counties were affected. All available funds were obligated. Water and Waste met or exceeded all of the targets, except for EZ/ECs and Guaranteed Loans. For both persistent poverty and EZ/ECs, the dollar target was exceeded, but not the number of loans. This is a function of the size of the loan application which the Agency has no control over.

**Description of Actions and Schedules:** No specific additional actions are necessary to meet the goal for FY 2001. Achievement of target levels is a function of available funding and the number and dollar amount of applications received that meet RUS criteria.

**Current Fiscal Year Performance:** Performance in FY 2001 is expected to be similar subject to funding levels, number and dollar amount of applications received.

**Program Evaluations:** GAO Report AIMD-00-288, Impact of RUS Electric Loan Restructurings, dated September, 2000. OIG Audit Report 09601-1-Te, Electric Generation and Distribution Borrower Investments, dated March 13, 2000.

**Objective 3.5:** Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Maximize the leveraging of loan funds to increase the number of rural residents assisted.			
Leveraging of telecommunications financial assistance (private investment to RUS and RTB funding).	\$5.22:1	\$5.00:1	\$6.51:1
Leveraging of telemedicine and distance learning financial assistance (private investment to RUS funding).	\$1.45:1	\$2.00:1	\$1.21:1
Leveraging of rural electric financial assistance (private investment to RUS funding).	\$2.70:1	\$2.73:1	\$2.88:1

**2000 Data:** This data is derived from RUS records, is verifiable, and is final. The telecommunications leverage ratio is available from RUS Form 479, Part F. This information is provided by RUS and is considered reliable.

**Analysis of Results:** The purpose of leveraging funds with the private sector is to stretch limited program funds and this purpose was achieved. The targets related to telecommunications and electric power were met. The target related to telemedicine and distance learning was not met but the impact of this result is not significant. As indicated earlier, the demand for loan funds for this program has been less than the supply of funds. Continuing these indicators is important because leveraging will be more important in future years as these programs grow. The performance goal was met.

**Description of Actions and Schedules:** RUS is increasing its outreach activities to the telemedicine and distance learning programs. As the requests for loan funds increase, the interest of private lenders in the program is also expected to increase.

**Current Fiscal Year Performance:** RUS expects to fully utilize the total funds available for FY 2001 and expects to meet the leveraging targets.

**Program Evaluations:** None conducted.

**Goal 4: Community Capacity Building** ARural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.@ (Note: This goal was called Management Initiative 1 in the FY 2000 and 2001 Annual Performance Plan.)

MAJOR PROGRAM FUNDING: Community Development	FY 1999 ACTUAL	FY 2000 PROJECTED	FY 2000 ACTUAL
Rural Empowerment Zone and Enterprise Community	\$0	\$30m	\$17m

Key Performance Goals and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Increase the Capacity of Rural Communities and Their Leaders			
Rural communities that apply for non-USDA Rural Development assistance to implement their community plans.	612	400	676
Partnerships built that implement a technical assistance network for communities within each state.	N/A	235	233
Jobs created or saved in EZ/EC and REAP communities.	2,288	1,000	3,354
Maximize Resources Available in EZ/EC's.			
Ratio of non-EZ/EC grants to EZ/EC grants	3.4:1	7:1 or greater	10.7:1

**2000 Data:** The data for the first two indicators is usually self-certified by the State Directors and input via the annual Administrator's priority performance goal. The requirement was waived this year so the data was gathered via a query to the States Offices. Information regarding job creations

and the success of EZ/EC communities in obtaining funding from non-EZ/EC sources is derived from the Office of Community Development's benchmark management system. The EZ/EC program requires that a set of performance benchmarks be established and maintained for each EZ/EC community. Each community reports on their progress in meeting the benchmarks through this web-based benchmark system. While the system is dependent upon data input by the recipients of the assistance, the data in the system is considered sufficient for management decisions. All information is final.

**Analysis of Results:** All indicators were met or exceeded and the performance goal was achieved.

**Description of Actions and Schedules:** None planned.

**Current Fiscal Year Performance:** The performance goals and indicators will be retained for FY 2001. Performance in FY 2001 is expected to be similar subject to adequate funding being received. Although the FY 2000 goals were exceeded, The Office of Community Development (OCD) is responsible for a third round of EZ program competition this year and believes this will affect resources available for other activities.

**Program Evaluations:** None.

**Goal 5: Effective, Efficient Service to the Public** "Rural Development will develop the staff, systems, and infrastructure needed to ensure high quality delivery of its programs to all rural residents." (Note: This goal incorporates Management Initiatives 2, 3 and 4 (partially) in the FY 2000 and 2001 Annual Performance Plan.)

**Objective 5.1:** Create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

Key Performance Goals and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Developed policies and practices which are employed and family friendly.			
Implementation of new policies and practices related to work schedules and leave.	N/A	Obtain Partnership Council approval and provide training as needed	Council approval was obtained for three policies: Hours of Duty, Telecommuting, and Leave. Hours of Duty was finalized and implemented. Training was conducted via teleconference.
Provide fair and equitable treatment to all customers			

Implement annual civil rights training for employees	Done	Ongoing	68% of employees trained
Reduce backlog of Program and EEO complaints	36% Program and 75% EEO	25%	38% Program and 34% EEO

**2000 Data:** Information regarding the development of personnel regulations came from the files of the Human Resources staff. The information related to civil rights training and EEO complaints is provided by the civil rights staff. Information on the program complaints is provided by the State Civil Rights Managers. All information is final.

**Analysis of Results:** The performance goals were achieved. The policies on Hours of Duty, Telecommuting, and Leave were developed as common administrative policies in cooperation with the other USDA service center agencies, the Farm Services Administration (FSA) and the National Resources Conservation Service (NRCS). All three policies won conceptual approval from the RD partnership Council. Hours of Duty was finalized and implemented. This policy allows for a variety of family/employees friendly work schedules, including "compressed" and "maxiflex" schedules. Feedback from field employee organizations has been very positive.

The EEO indicators show Rural Development reduced its backlog by securing a 100% rate of findings of no discrimination from the EEOC and Final Agency Decisions from the Department's Office of Civil Rights. Resolution activity for formal EEO complaints, which comprise our backlog, was lower in 2000 as a result of the aggressive 80% resolution rate for informal complaints. While most of the complaints that enter the formal stage are difficult to resolve and may lack merit, they must be processed through the EEOC.

**Description of Actions and Schedules:** Telecommuting agreements with individuals employees have been implemented as a practice on a case by case basis mission area wide. The final Telecommuting policy is in the issuance clearance system. The Leave policy is being redrafted to incorporate recent legislation and Executive orders promoting family friendly leave program changes.

Rural Development focused a lot of time and attention launching the online Civil Rights training, which 655 of our employees have completed in spite of serious system malfunctions when the training initially began. All employees will complete this training during 2001.

**Current Fiscal Year Performance:** It is anticipated that both the Telecommuting policy and the Leave policy will be issued and implemented in FY 2001. Training will be provided as needed.

Resolutions of complaints will likely be low because related costs are paid from the State Directors' budgets, rather than the National Office's budget. We continue to strongly encourage resolution of complaints with merit as early in the process as possible .

**Program Evaluations:** None.

**Objective 5.2:** Develop information systems which support cost-effective delivery of programs and maximize the availability of information to all employees.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Enhance and build information systems which support the mission area's programs.			
Implement an operational new Guaranteed Loan System (GLS).	Phase I completed.	Phase II, III. & IV completed. Phase V Funds Reservation system completed.	Phase II, III. & IV completed Phase V Funds Reservation system completed.
Develop Program Funding Control System (PFCS)	Reviewed NFC and other USDA systems plus completed cost analysis.	Request for Proposal under development.	Request for Proposal Completed. COTS products evaluated.
Operationalize the Community Utilities and Business System	40% operational	60% operational	Effort evaluated, halted, and to be incorporated into a new effort.

**2000 Data:** Actual performance is based on measurable project accomplishments as established and monitored by the Information Technology staff. There are no variance to consider and the assessment of results is accurate. The assessment of results, although not audited, is considered by management to be reliable. Information is final.

**Analysis of Results:** The performance goal was met with achievement of the targets for the GLS and PFCS. Work on the design and development of the Community Utilities and Business System was evaluated and a decision made to terminate the contract. This work is being transferred to a new project effort. This indicator, as written, will be discontinued.

**Description of Actions and Schedules:** A new performance indicator for the effort previously included in the Community Utilities and Business System will be defined once the transfer is completed.

**Current Fiscal Year Performance:** Targets related to the continuing development of both the GLS and PFCS will be included in the Annual Performance Plan for 2001.

**Program Evaluations:** None.

**Objective 5.3:** Improve financial management to ensure fiscal accountability.

Key Performance Goals and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY2000 ACTUAL
Manage the Mission Area's Financial Resources Efficiently and Effectively			
Implementation of EFT in compliance with DCIA requirements	32%	50%	53%
Credit Reform - % of programs with clean opinion from OIG	0%	100%	16%
Implement Foundation Financial Information System (FFIS)	None	Follow USDA OCFO guidelines and schedules for implementation.	Completed. Operational on October 1, 2000.
Reach management decision on OIG financial management audit recommendations within 6 months of audit report issuance	90%	90%	90%
Percent of material FMFIA deficiencies corrected timely	N/A	50%	75%
Obtain clean and timely audit opinion on audited financial statements	Qualified	Obtain clean opinion	Qualified

**2000 Data:** The data comes from the systems and files of the Chief Financial Officer and is final. The percentage of EFT disbursements is based on the percentage of the number of EFT disbursement to the total number of all disbursements made during FY 2000. The percent of programs with a clean opinion from OIG is related to the guaranteed loan portfolio. Based on Rural Development's FY 1999 financial statements, guaranteed loans represent approximately 16% of the dollar value of Rural Development loan portfolio. The final indicator related to obtaining a clean opinion on the financial statement, is preliminary pending completion of the audit by OIG. It is assumed, however, that the opinion will again be qualified based on existing unresolved credit reform concerns of the OIG.

**Analysis of Results:** Success in achieving the goal is mixed. Software has been implemented to disburse funds electronically (EFT). Rural Development anticipates the percent of EFT disbursements will increase as programs adopt the practice of using EFT. The mission area implemented the Department's FFIS integrated financial management system for its salary and expense appropriation. The established target for obtaining a management decision within 6 months on 90 percent of the audits issued was also met for FY 2000. The performance indicator "percent of material FMFIA material deficiencies corrected timely" was targeted for 50 percent in FY 2000 and the actual was 75 percent.



The indicators related to credit reform were not met and this is resulting in a qualified financial opinion. Rural Development is one of a number of agencies struggling to develop more reliable credit reform models required to calculate subsidy rates. A task force consisting of several USDA agencies, the Departmental CFO, and OIG are jointly working to develop improved cash flow models. The development of these improved cash flow models should lead to an unqualified audit opinion.

**Description of Actions and Schedules:** The credit reform task force has developed a project plan to resolve the credit reform issues by the end of FY 2001. OIG has stated that they are lifting the credit reform qualification for guaranteed loans in Rural Development's FY 2000 audited financial statements. Rural Development anticipates obtaining a clean opinion only for the guaranteed loan programs. Rural Development has completed two of three models required to calculate subsidy rates. Approval was obtained from OMB, GAO and OIG in FY 2000. Additionally, Price Waterhouse Cooper has a contract to assist in developing Rural Development housing cash flow needs.

**Current Fiscal Year Performance:** All indicators will be included in the FY 2000 Annual Performance Plan.

**Programs Evaluation:** OIG Audit 85401-001-FM, Audit of FY 1999 Rural Development Financial Statement, dated February 22, 2000. Rural Development completed a Federal Managers' Financial Integrity Act (FMFIA) Compliance Review of the Guaranteed Loan System (GLS), dated July 31, 2000.

When the mission area's strategic plan was reviewed and updated in September, 2000, three of the Management Initiatives in the Strategic Plan for 1997-2000 were converted to goals 4 and 5, as noted and discussed above. Management Initiative 4 was eliminated. It is included here for reporting purposes only but will be discontinued in future performance plans.

**Management Initiative 4: Quality Customer Service.** Rural Development will foster and continually strengthen an internal culture that focuses on and is drive by customer needs, both internally and externally, systematically acts to make internal processes and individual actions responsive to the needs of customers, and assures that all customers and employees are treated fairly, equitable, and with dignity and respect.

Key Performance Goal and Indicators	FY 1999 ACTUAL	FY 2000 TARGET	FY 2000 ACTUAL
Obtain Feedback from Program Customers			
Business and Industrial Loans	N/A	Reconcile survey findings to program operations.	Developed and published for comment REDLG regulations written in plain language
Cooperative Services	Surveyed	Survey	Surveyed

Single Family Housing	Surveyed	Reconcile survey findings to program operations.	Survey not done.
Water and Waste	Survey Not Done	N/A	No Action Required
Electric Program	Survey Not Done	Survey	Survey Not Done
Telecommunications	Survey Not Done	N/A	No Action Required

**2000 Data:** Information is derived from the files of the program staff in the National Office and is final.

**Analysis of Results:** Success in meeting the goal was mixed. Limited funding and reduced staff have limited the ability of the mission area agencies to carry out the surveying of customers required to meet this goal. When the mission area strategic plan was revised in 2000, the performance goal was removed from the plan.

**Descriptions of Actions and Schedules:** None planned.

**Current Fiscal Year Performance:** The performance goal will not be included in future performance plans.

**Program Evaluation:** None.